



Annual Report

2021

Building your future with
the right financial advice

2021

Annual Report of BlueShore Financial Credit Union

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*Peter Leitch,
Chair, Board of Directors*

Leadership Viewpoints

Message from Board and Management

For over 80 years we've fostered the financial wellness of our clients through personalized solutions and expert advice.

2021 was another year characterized by both Covid-19 challenges and business opportunities. Together, we embraced new routines and further built out our digital capabilities.

We appreciate your unwavering trust in us as we navigated the ongoing pandemic issues, health orders, vaccine mandates, and remote contact with both our clients and staff. The need for effective connection was greater than ever. Whether serving you virtually, in-branch, or by phone, relationships with clients deepened as our employees went above and beyond to provide advice and support.

We supported clients that experienced short term credit issues brought about by the pandemic, which was appreciated by them. We ended the year with only 0.24% of loans with payment delinquency over 90 days which is a normal level.

Advancing our digital strategy to respond to the evolving times remained a priority. Our newly designed website provides an enhanced online experience and the introduction of our Digital Concierge allows you to chat with us on our website 24/7. We also celebrated 80 years as a credit union, and through donations and sponsorships, contributed to over 70 organizations supporting meaningful causes in our communities.

Our financial performance reached new heights in 2021. Our Assets under Administration grew 6% to reach \$6.9 billion, which included an impressive growth of 25% in Wealth Management Assets to reach \$1.7 billion. In addition, we achieved record profits (Net Operating Income) of \$42 million.

Not only did BlueShore achieve outstanding financial results, we were also recognized as one of "Canada's Most Admired Corporate Cultures" by Waterstone Human Capital for the fourth time, earning us a spot in the Hall of Fame. We continued to earn top marks from our clients for our exceptional client experience and service. Our 2021 client survey results, conducted by Ipsos, confirmed that we're making a positive impact on our clients' financial well-being and are recognized as expert providers of financial advice.

While we know 2022 will likely hold its own set of challenges, we look ahead with optimism, and are prepared to help you build the future you want with the right financial advice. Thank you for trusting us as your financial partner for today and tomorrow.

Sincerely,

Chris Catliff, President and CEO

Peter Leitch, Chair, Board of Directors



*Chris Catliff,
President and CEO*



Building your future with the right financial advice

We're here to help you navigate what's next.

Connecting with clients

In 2021, BlueShore continued to move forward with our digital strategy, and advance our high-tech, high-touch approach that blends technology with personalized expert advice. It is always our goal to improve our clients' financial well-being and advance our premium client experience, both online and in person.

As we continue to elevate our digital presence, in October we launched our newly redesigned website. The new site reflects our West Coast brand and signature Financial Spa® design, while offering intuitive navigation and an engaging user experience.

We also introduced BlueShore's new Digital Concierge, an artificial intelligence powered chatbot that allows you to interact with BlueShore online 24/7. This new digital tool helps website visitors find answers to everyday banking questions and information on financial products and services in a secure and efficient way. Our Digital Concierge is a convenient alternative to calling or visiting a branch to get help for standard inquiries such as ATM locations, mortgage basics, branch hours, credit cards offered, and more.

We are always looking ahead to new and innovative digital services for clients to make banking with us easier today and in the future. Coming this year is our new digital app for connecting clients with advisors in real-time. The app will enable advisors to communicate with clients through direct messaging on a private and secure platform.

As we accelerate our digital strategy, we are also taking care to ensure our in-person, Financial Spa experience remains first class. We know that everyday banking is well suited for online transactions; however, intricate and complex financial discussions warrant face-to-face communication with our expert teams in a relaxed setting. As a result, we are in the midst of expanding our Park Royal Financial Spa to increase our branch footprint to allow for more meeting spaces that can accommodate multi family member financial planning discussions, and serve more clients overall. In addition, our Lynn Valley branch is officially set to become a Financial Spa as we build a new location within Lynn Valley Mall in 2022. The space will give our clients easier access and an enhanced experience as we bring our sophisticated Financial Spa elements to this location.

Supporting our clients

As the external environment continued to shift throughout the year, so did our business operations. The health and safety of staff and clients always remains a priority, and efficient and timely communication has been vital. In our Financial Spas, plexi-glass dividers, physical distancing measures, mask policies, increased cleaning and on-site health screening remained commonplace. We are appreciative of our colleagues and our clients for their continued agility and understanding.

As many clients continued to connect with us outside of in-branch transactions, our Solution Centre managed over 66,000 client interactions in 2021, and proudly reduced the average call wait time to under 35 seconds. We're glad we can support our clients with financial advice when they need it, quickly and effectively.

Our goal is to help you achieve financial wellness. This means ensuring you receive the expert advice and support you need to make well-informed decisions.

Listening to clients

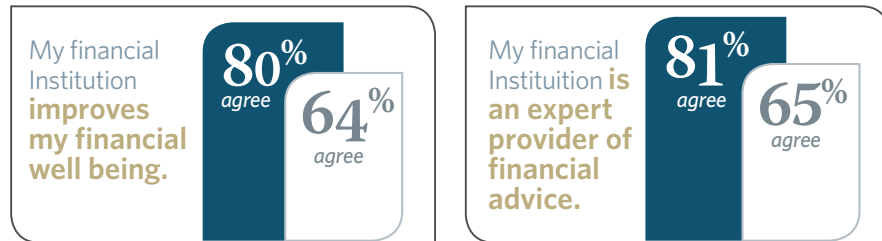
Each year we conduct an independent survey of our clients and non-clients who bank at other financial institutions within our trade area to evaluate how we're doing in helping meet our clients' financial needs. Clients who work with our Financial Advisors consistently give a high rating to their overall experience, which exceed other financial institutions.

In the most recent survey conducted by Ipsos, more than 9-in-10 clients surveyed who are working with an Advisor gave their experience dealing with BlueShore and with their Financial Advisor top ratings – evidence of our superior service.

In addition, BlueShore continues to significantly outperform other financial institutions in areas such as working with clients' best interests in mind, valuing clients' business, and offering good value for products and services.

Learn more about what [clients are saying about working with us](#).

Blueshore Financial **Other Financial Institutions**



*Ipsos, 2021. Per cent of top 3 box ratings (8, 9 & 10) on a scale of 0 to 10 from clients working with a Financial Advisor at their primary financial institution.



At BlueShore Financial, we align your aspirations with a full range of banking, wealth management and insurance solutions.

Achievements & Advancements

From being named one of 'Canada's Most Admired Corporate Cultures', to uplifting our communities, clients and colleagues through an ever-changing external environment, we had many achievements to celebrate in our 80th year.

Impacting our local communities

One of the many ways BlueShore stays true to our core values is by giving back to our communities. We strive to contribute to not only the financial wellness, but the overall well-being of our clients and the wider communities we serve. In 2021, we supported over 70 organizations that advocate for physical, mental, financial and community wellness. Family Services of the North Shore, Indian Residential School Survivors Society, Whistler Community Services Society, Covenant House Vancouver and BC Children's Hospital are just a few examples of the organizations we worked with this year.

We also sponsored local events and organizations that promote and contribute to financial literacy, arts and culture and thriving communities. Some of the initiatives we proudly supported included the Whistler Half Marathon, Bill Reid Gallery of Northwest Coast Art, Big Sisters of BC Lower Mainland Luminary Soiree, Dress for Success Vancouver Luncheon, Bard on the Beach and A Breakfast to Remember with Alzheimer Society of BC.

Throughout the year we championed our local business community. We supported the North Vancouver Chamber, Burnaby Board of Trade, Squamish Chamber, West Vancouver Chamber and Whistler Chamber by sponsoring awards that recognize local business owners in these regions.

As part of our COVID-19 Response Fund, we continued our "Double Your Impact" campaign and matched funds, dollar for dollar, made to the Lions Gate Hospital Foundation throughout their LGH Week fundraising campaign. We exceeded our fundraising goal and turned \$10,000 in donations into \$33,740 to ensure patients have better access to groundbreaking facilities and medical equipment.

This year, our province continued to battle the pandemic in conjunction with environmental devastation from flooding and forest fires. BlueShore Financial joined forces with many BC businesses to collectively donate \$1 million to the Canadian Red Cross British Columbia Floods and Extreme Weather Appeal, to help our communities rebuild and recover from the devastation.

In 2021, the federal government passed legislation recognizing September 30 as the National Day for Truth and Reconciliation. We recognize the significance and honoured this day by providing education sessions for staff in partnership with Reconciliation Canada, closing our branches and head office to give time to reflect and deepen our understanding of truth and reconciliation, and donating to the Indian Residential School Survivors Society.

Sharing our insights

BlueShore Financial advisors and leaders continue to be sought after to share their business and financial insights and expertise in the media. We were featured over **100 times in local and national media**, showcasing our organization, expertise and thought leadership. Our spokespeople covered a range of topics such as tips for early retirement, advice on entering the real estate market, ESG investing, alternative investments to hedge against inflation, and forecasting key areas of focus for financial services in 2022.

Our insights were shared in print and digital media, such as *The Globe and Mail*, *Business in Vancouver* and *Forbes*, as well as in various TV, radio and podcast segments. Additionally, we brought expert advice directly to our followers and members on our social media channels.

Building a strong culture

Our trusted relationships with clients and our organizational successes are thanks to our dedicated staff members. BlueShore's exceptional team continues to show their commitment to our values and are the foundation of our culture.

As a result, in 2021 BlueShore Financial was once again named one of "Canada's Most Admired Corporate Cultures" by Waterstone Human Capital. This national award program annually recognizes Canadian organizations for having positive corporate cultures that enhance performance and sustain a competitive advantage. As a four time winner of the program, BlueShore has been inducted into the Canada's Most Admired Corporate Cultures Hall of Fame.



Advancing Growth & Profitability

Financial Discussion and Analysis

2021 Economic environment

While the COVID-19 pandemic presented many challenges to the global economy, there has been a significant economic recovery in 2021. Global GDP is estimated to increase 5.9% for the year, returning to growth following 2020's contraction of 3.1%.¹

The Canadian economy grew 4.7% in 2021, slightly below the 5.0% average for advanced economies.² As the economic recovery progressed throughout the year, the Bank of Canada tapered and eventually ended its quantitative easing program in October, before moving into the reinvestment phase by keeping its bond holdings roughly constant. Additionally, with economic slack now deemed to have been absorbed, and inflationary pressures persisting at elevated levels longer than anticipated, the Bank of Canada has removed its exceptional forward guidance on its policy interest rate and announced a 25 basis point rate increase in March 2022 after holding overnight lending rates constant in 2021. Additional rate increases are expected throughout the remainder of 2022. The Bank of Canada estimates 4.7% inflation for 2021, above its control range of 1.0% - 3.0%.²

BC's economic recovery suffered a setback in 2021 as wide-scale flooding disrupted transportation, agriculture, and forestry.³ Despite this, the provincial economy continues to recover, with many of BC's sectors returning to, or surpassing, pre-pandemic levels of activity.⁴ This includes the housing market, which grew substantially in 2021. Residential unit sales and average residential prices increased 32.8% and 18.7% year-over-year respectively.⁵

2021 Financial performance

BlueShore delivered exceptional results in 2021's uncertain and volatile environment. We maintained excellent client service and minimized service disruptions while taking effective safety precautions to protect our clients and staff.

Total Assets Under Administration grew \$380.2 million or 5.8% to reach \$6.9 billion. The growth was primarily driven by a \$337.0 million increase in wealth assets under administration and strong loan growth of \$238.4 million.

Our loan portfolio increased by \$235.7 million to \$4.41 billion, up from \$4.18 billion at the end of 2020. This growth reflected the strong Greater Vancouver real estate market throughout the year, after considerable pandemic-related uncertainty limited loan growth in 2020. BlueShore's loan growth in 2021 was funded entirely by our deposit growth.

Net operating income increased to \$42.0 million (2020, \$32.0 million), primarily due to improved net interest income and releases of provisions for credit losses as the economic and credit outlook improved. Return on retained earnings was 17.8% (2020, 15.5%).

Net interest income increased \$18.3 million, or 22.7%, to \$98.8 million from \$80.5 million. Although they started to rise towards the end of the year, interest rates remained low throughout most of 2021, driving significantly lower loan and investment yields as well as average deposit and borrowing costs.

Macroeconomic forecasts, notably BC GDP and BC Unemployment, and the credit outlook improved significantly in 2021, resulting in a release of our provision for credit losses of \$2.7 million or 0.06%.

¹ International Monetary Fund World Economic Outlook (February 2022)

² Bank of Canada Monetary Policy Report (January 2022)

³ TD Provincial Economic Forecast (December 2021)

⁴ RBC Provincial Economic Forecast (December 2021)

⁵ British Columbia Real Estate Association Housing Forecast Update (January 2022)

Non-interest expenses grew \$10.0 million or 13.6% in 2021. Higher commission expenses reflect the growth in revenue from our Wealth business. BlueShore also reaffirmed its commitment to delivering exceptional client service by continuing to invest significantly in the business. This included increasing staffing levels and investing in technology to enhance our digital client experience, and to meet the ambitious targets in our long-term strategic plan.

DBRS Morningstar has confirmed BlueShore's Long-Term Issuer Rating of BBB (high) and Short-Term Issuer Rating of R-1 (low). The issuer ratings are reflective of BlueShore's strong franchise position, asset quality, risk profile and prudent levels of liquidity and capital.

2022 Economic outlook

At the time of writing, the unprovoked military invasion by Russia on Ukraine remains an evolving situation with highly unpredictable outcomes that could significantly disrupt the post-pandemic global economic recovery. Our thoughts are with the people of Ukraine and all those affected. To lend our support, BlueShore Financial has donated to the Canada Ukraine Foundation's Ukraine Humanitarian Appeal to assist with humanitarian aid including food packages, medicine and shelter. Additionally, the global economy entered 2022 in a weaker position than previously anticipated due to persistent supply chain disruptions and inflationary pressures related to the emergence of the Omicron COVID-19 variant. Despite this uncertainty, the Canadian economy has strong momentum as it enters 2022 with 4.0% forecasted GDP growth.¹

BC GDP is forecasted to grow in line with the national average of 4.0%. The forecast anticipates a continued recovery from short-term, flood-related economic setbacks. BC's labour market is forecast to outperform the national average, with unemployment rates continuing to trend favourably to 4.7%. As the province continues to ease restrictions, service-based industries are also expected to benefit from renewed business investment. Significant publically funded capital projects, including reconstruction initiatives, are also expected to contribute to the forecasted economic improvements.²

Greater Vancouver real estate had a record year in 2021, with the buoyant market conditions continuing into early 2022. Despite sales forecasted to decrease 15.8% in 2022, average prices are expected to increase 8.1%.³ Limited housing supply may continue to support record prices, but affordability erosion could constrain price growth as mortgage rates are projected to increase.

Against this improving but still challenging economic backdrop, BlueShore will continue to seek prudent opportunities to grow our highly-secured, high quality asset portfolio, while maintaining appropriate credit quality, liquidity, and capital. With the pandemic accelerating digital transformation across all industries, Management will continue to focus on investing in technology solutions to enhance our staff and client experience.

¹ Bank of Canada Monetary Policy Report (January 2022)

² TD Provincial Economic Forecast (December 2021)

³ British Columbia Real Estate Association Housing Forecast Update (January 2022)

Report of the Independent Auditors on the Summarized Consolidated Financial Statements

To the members of BlueShore Financial Credit Union

Opinion

The summarized consolidated financial statements of BlueShore Financial Credit Union (the Credit Union), which comprise:

- the summarized consolidated statement of financial position as at December 31, 2021
- the summarized consolidated statement of income and retained earnings for the year then ended
- and related note

are derived from the audited consolidated financial statements of BlueShore Financial Credit Union as at and for the year ended December 31, 2021.

In our opinion, the accompanying summarized consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

Summarized Consolidated Financial Statements

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading summarized consolidated financial statements and the auditors' report thereon, therefore, is not a substitute for reading the Credit Union's audited consolidated financial statements and the auditors' report thereon.

The summarized consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

Management's Responsibility for the Summarized Consolidated Financial Statements

Management is responsible for the preparation of the summarized consolidated financial statements in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summarized consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards 810, Engagements to Report on Summary Financial Statements.

The logo for KPMG LLP, featuring the letters 'KPMG' in a bold, sans-serif font, followed by 'LLP' in a smaller, similar font. A horizontal line is drawn underneath the text.

Chartered Professional Accountants

February 17, 2022

Vancouver, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent Member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Financial Results

Summarized Consolidated Statement of Financial Position as at December 31, 2021 (in thousands of dollars)

ASSETS		2021		2020
Cash and Cash Equivalents		118,052		163,434
Investments		418,202		372,791
Derivatives and Other Financial Assets		13,609		51,656
Loans		4,411,935		4,173,527
Premises and Equipment		61,202		65,054
Intangible Assets		7,320		6,499
Other Assets		7,686		6,363
Income Tax		3,261		1,760
		\$5,041,267		\$4,841,084
LIABILITIES AND MEMBERS' EQUITY		2021		2020
Members' Accounts: Demand Deposits	941,478		836,619	
Term Deposits	3,178,586		2,965,506	
Registered Deposits	431,367		443,602	
Accrued Interest	28,086	4,579,517	41,057	4,286,784
Borrowings and Debt Liabilities		117,487		228,618
Other Liabilities		40,322		46,426
Membership Shares		1,360		1,360
Members' Equity: Retained Earnings	252,171		219,129	
Equity Shares	50,746	302,917	47,618	266,747
Accumulated Other Comprehensive Income (Loss)		(336)		11,149
		\$5,041,267		\$4,841,084
Total Assets under Administration		\$6,889,205		\$6,509,039

Summarized Consolidated Statement of Income and Retained Earnings for the year ended December 31, 2021 (in thousands of dollars)

	2021	2020
Interest Income	153,807	169,560
Interest Expense	54,989	89,035
Net Interest Income	98,818	80,525
Provision for Credit Losses	(2,725)	4,995
Fee, Commission and Other Income	24,470	30,444
	126,013	105,974
Non-interest Expenses	84,031	73,999
Net Operating Income	41,982	31,975
Community Investment	420	320
Income Tax Expense	7,006	6,860
Net Income	34,556	24,795
Retained Earnings - Beginning of Year	219,129	195,913
Dividends on Equity Shares - Net of Tax	(1,514)	(1,579)
Retained Earnings - End of Year	252,171	219,129

Peter Leitch, Chair

Diana Chan, Audit Committee Chair

Note 1 - Message to Members

The accompanying summarized consolidated financial statements have been prepared from the consolidated statement of financial position of BlueShore Financial Credit Union as at 2021, and the consolidated statements of income, comprehensive income and changes in members' equity for the year then ended. Readers are cautioned that these summarized consolidated financial statements do not include all the disclosures necessary for a complete presentation. Complete audited consolidated financial statements for the year ended December 31, 2021, together with the auditors' report thereon, are available from the Credit Union and will be presented at the Annual General Meeting of members on April 21, 2022.

Please note: Copies of the complete audited consolidated financial statements are also available on request at all BlueShore Financial locations or online at blueshorefinancial.com.



BlueShore Financial is committed to excellence in corporate governance.

Governance Report

BlueShore Financial is governed by a nine-person Board of Directors. These Directors possess a targeted balance of skills, experience and competencies, which is reviewed annually and assessed for any gaps. Their combined expertise guides BlueShore's strategic success.

See the [biographies](#) for all of our Directors.

Governance principles and responsibilities

The Board continually reviews its corporate governance practices to ensure they reflect the highest level of oversight, independence and accountability our members and stakeholders expect and deserve. BlueShore Financial meets or exceeds the principles and standards set out in the BC Financial Services Authority (formerly Financial Institutions Commission) Governance Guideline, which ensures strong governance and risk management practices.

The primary responsibilities of the Board are to:

- Approve and monitor BlueShore's adherence to its risk appetite
- Approve and monitor BlueShore's strategic plan and performance
- Ensure BlueShore's risk governance framework is comprehensive, adequately resourced, forward looking, strategic, effective, diligently monitored and communicated
- Assemble an effective management team. This includes selecting a CEO, monitoring the CEO's performance towards achieving mutually established objectives, and planning for the CEO's succession
- Demonstrate accountability to BlueShore's members and promote disclosure to allow members to engage with BlueShore as owners
- Be proactive in its own recruitment, composition, and performance management

Directors adhere to numerous Board policies, which are reviewed regularly to ensure they reflect current best practices. Directors also review key management policies, such as those pertaining to investment and lending, risk management, and whistleblowing to effectively manage the risk profile and performance of the Credit Union.

Director education

BlueShore Financial places a strong emphasis on Director learning and development. In 2021, Board education sessions were held on the following subjects:

- Client Research
- Digital Marketing Transformation
- Payments Modernization and Open Banking
- Wealth Strategy
- Human Resource Management
- Risk Register
- Market Conduct Code

Directors are eligible for reimbursement of certain education expenses, in line with the Director Development and Education Policy. In 2021, Directors also pursued individual education opportunities through CUSource®, and by attending virtual industry conferences.

Board evaluation

Individual Director learning plans are reviewed annually by each Director with the Board Chair as part of the Board evaluation and effectiveness process. A formal evaluation is conducted annually by a third party, which assesses the performance of the Board overall, including its Committees and the Committee Chairs. In addition, the Board reviews its performance informally at the end of every Board meeting without Management present.

Further information

BlueShore Financial
Board of Directors

The following Directors served during fiscal 2021:

Allan Achtemichuk
Board Chair (January - April 2021)
Chair, Nominations & Election Committee
(May - December 2021)

Peter Leitch
Board Chair (May - December 2021)

Diana Chan
Board Vice Chair (May - December 2021)
Chair, Audit Committee Chair, Interim Risk
Committee (September - December 2021)

Lynne Charbonneau
Chair, Human Resources and Compensation
Committee (May - December 2021)

Dave Davenport
Chair, Nominations and Election Committee
(January - April 2021)

Rod Dewar
Chair, Governance and Conduct Review
Committee

Gordon Janzen
Chair, Human Resources and Compensation
Committee (January - March 2021)

Julie McGill
Chair, Investment and Loan Committee






Cybele Negriz

Kevin Sandhu

Victoria Withers

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BlueShore Financial
Locations

Head Office & Administration

1250 Lonsdale Avenue
North Vancouver, BC

Branches

Burnaby
North Vancouver
Pemberton
Squamish
Vancouver
West Vancouver
Whistler

BlueShore Financial
Executive Management

Chris Catliff
President and Chief Executive Officer

Richard Butterworth
Chief Financial Officer

Fred Cook
Chief Information Officer

Lori Howe
Interim Chief Human Resources Officer

Marni Johnson
Senior Vice President, Human Resources
and Corporate Affairs (retired May 30, 2021)

Reg Marrinier
Chief Retail and Business Officer

BlueShore Financial Subsidiaries

BlueShore Capital Corporation
BlueShore Leasing Ltd.

BlueShore Strata Finance Ltd.
BlueShore Transport Finance Ltd.
(amalgamated with BlueShore Leasing Ltd.
on January 1, 2022)

BlueShore Wealth Ltd.
Morningside Properties Ltd.
0977916 B.C. Ltd.

BlueShore Financial's joint venture with Capital West Mortgage Inc. (Pacifica Joint Venture) was wound up effective December 1, 2021.
BlueShore Pacifica Alternative Mortgage Centre Inc. (in which BlueShore Financial has a 50% interest) ceased operations on December 1, 2021.